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S E C R E T SECTION 01 OF 05 DAR ES SALAAM 000715

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DEPT AF/E FOR B YODER, C PELT, AF/RSA FOR J NAY, C BECK
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DEPT PASS TO MCC OFFICE FOR G BREVNOV, L BLACK
ALSO USTR FOR W JACKSON
LONDON, PARIS FOR AFRICA WATCHERS

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TAGS: [PGOV](#) [PREL](#) [PHUM](#) [ECON](#) [EAID](#) [MARR](#) [TZ](#)
SUBJECT: AMBASSADOR RETZER AND PRESIDENT KIKWETE DISCUSS
MILITARY AND SECURITY ASSISTANCE, ENERGY SECTOR, AND
UPCOMING U.S. VISIT

REF: A. DAR ES SALAAM 0498
[1](#)B. DAR ES SALAAM 0696

Classified By: Political Officer Mary B. Johnson for reasons 1.4(b,d)

Summary

[1](#)1. (C) President Kikwete emphasized to Ambassador Retzer during an hour-long meeting in Dodoma that his administration intends to be "proactive in developing our relationship with the United States." Kikwete indicated he will use his mid-May trip to Washington, Boston and New York to forge stronger ties with the USG and the U.S. private sector in the military, security, economic and investment arenas. He is ready to announce an ACOTA agreement and sign the MCA Threshold Agreement while in Washington. Kikwete recognized that Tanzania needs stronger laws to halt human trafficking and is interested in signing a Letter of Agreement with the Department of Justice providing technical assistance in drafting such legislation. Kikwete deplored growing East African organized crime rings and Tanzania's porous land borders and requested USG assistance to augment the capacity of Tanzania's law enforcement units. President Kikwete also shared the hurdles he faces in attempting to reform the energy sector, including dealing with the state-run energy company TANESCO's request to raise electricity tariffs by 25 percent. He compared notes with the Ambassador on his confirmed Washington events and accepted the Ambassador's suggestion to schedule bipartisan meetings with key members of Congress. End summary.

Wants to Build Peacekeeping and Security Cooperation

[1](#)2. (S) President Kikwete told the Ambassador at their April 29 meeting that earlier in the week he had gone over the agenda for his Washington meetings with his Defense and Security team; on May 4 he will huddle with the Economic team. He noted that the Tanzania's intelligence service and the CIA, as well as the police force and the FBI are "working together well," and he now would like to upgrade the capacity of the military and the immigration services by expanding cooperation with the U.S. "My Defense Team agreed we want to be proactive in developing our (mil-to-mil) relationship with

the United States; some misunderstandings were cleared up in that meeting, and now we are on the right track," he stated.

¶3. (S) The Ambassador said he had discussed with the Ministry of Foreign Affairs April 27 the prospect of capacity building to carry out surveillance overflights and hoped the Government of Tanzania's (GOT) defense forces were also eager to improve coastal border surveillance. Kikwete affirmed that his Defense Team would be prepared to look to the U.S. as a "friend" to assist with capacity building in the Tanzanian Peoples Defense Force's (TPDF) coastal patrols as long as the U.S. Navy does not "just come in and leave without any sustainable capacity building. If that were the case, it would be a step backward and we may need to look elsewhere." Kikwete was clear that if the U.S. military is able to assist with capacity building in surveillance overflights and coastal security, then Tanzania welcomed partnership with the United States.

¶4. (C) President Kikwete confirmed that he wants to announce Tanzania's ACOTA partnership in Washington. He welcomed the invitation from U.S. Department of Defense (DOD) to bring Defense Minister Kapuya to Washington, shortly after Kikwete's own trip, in order to explore strengthening the military to military relationship. Kikwete also requested that as soon as possible after those consultations, a U.S. military delegation come to Tanzania to continue the dialogue with TPDF leaders. When the Ambassador suggested that it might be time to consider placing a defense attache at Tanzania's Embassy in Washington, the President replied without hesitation: "Yes, we could do that."

Request to Fight East African Organized Crime Rings

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¶5. (C) Kikwete was satisfied with the ongoing cooperation between Tanzanian and U.S. intelligence and law enforcement agencies and asked to accelerate these efforts to sharpen Tanzania's ability to fight terrorism, illegal drugs and organized crime. He expressed his concern over "growing and dangerous" organized crime rings within East Africa that are becoming "big business." As reported Ref B, over the past eight months, Zanzibar and Dar es Salaam have seen a rapid upswing in high-stake armed robberies of banks, money transfer vehicles, and hotels. Kikwete elaborated why GOT law officials are convinced these crimes are masterminded by other East Africans, "primarily Kenyans," using Tanzanians as accomplices. He said he raised the need for regional cooperation to bring down these crime rings during his recent visits to Kenya and Uganda, but the respective heads of state gave him only "evasive" replies. Thus, he is looking to the U.S. for assistance to fight East African organized crime.

¶6. (C) President Kikwete explained that the confession of a recently arrested Kenyan, caught using a Tanzanian alias and trying to sell a vehicle stolen from Nairobi, has confirmed the "Kenyan connection," including a lucrative "hot car" ring operating along the Nairobi-Moshi-Arusha road and an increase in theft of tanzanite gemstones (a semi-precious stone mined only in Tanzania). The President quipped: "These East African links to organized crime are our 'Axis of Evil'." He requested whether ongoing FBI training for Tanzanian law enforcement officials that usually takes place in the U.S. could be conducted in-country: "If the programs were held here," he noted, "we could train up to three or perhaps ten times more police officials and seriously improve capacity." (Comment: Virtually all FBI training is already conducted in Tanzania.) Kikwete would like to see a special police school established in Tanzania to "competently train our Criminal Investigation Division" and plans to make this request during his Washington visit.

Urgency to Link the "Look Out" System at Border Posts

¶7. (C) The President highlighted his concern that Tanzania's

immigration security is jeopardized because only three land border posts have a computer system to check if persons entering Tanzania are in immigration's "look out" list. At present, none of these computers are connected to one another nor to immigration headquarters. Kikwete stressed that computers are needed "at all our border posts, a system that is complete and linked to headquarters" to allow immigration officials to immediately check on any person and decide whether to grant him entry or not. "This is another key area where we are looking for increased cooperation," he stated.

Agreed to Sign MCA Threshold Agreement in DC

¶8. (SBU) President Kikwete understood the importance of quickly finalizing and signing the Millennium Challenge Account (MCA) Threshold Agreement to clear the way for a viable MCC compact, and agreed to initial or sign the MCA Threshold while in Washington. The Ambassador noted that MCC's working level team was currently in the country, looking at the road, water and power sectors. While overall, the MCC is positive about Tanzania's progress toward a compact proposal, the team had serious concerns about the energy sector. MCC believes for Tanzania to make an "economic leap," sustainable power generation is crucial; however, a prerequisite to any substantial MCC investment would be a transparent system for setting the electricity tariffs.

Reform Needed in Energy Sector

¶9. (SBU) President Kikwete agreed energy should be a major component of the MCC compact. In his personal view, he sees no reason not to liberalize the power sector and let to private utility companies compete and determine the price. He confided, however, the energy tariff question is a

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sensitive issue without a simple solution in sight. Due to the historic legacy of centralized decisions, many energy sector officials insist the GOT needs to regulate electricity in order to maintain control. In reality, Kikwete said, "we have struggled with this approach and too many times it has tied us in knots" rather than improve the situation in the power sector.

¶10. (C) Kikwete said that TANESCO had made a request in 2005 to former President Benjamin Mkapa to increase electricity tariffs by 25 percent. "Mkapa left this one for me, at the top of my 'to do' list when I took office," he laughed. TANESCO's request was "a headache" during his early weeks in office, because every time a 25 percent tariff hike was mentioned, the business sector complained loudly that such a drastic increase would push production costs prohibitively high. Kikwete initially allowed the TANESCO Board to increase the tariff by 5 percent, which is within the Board's discretion, then decided that any further increases needed to be a Cabinet-level decision.

¶11. (C) The President explained after the Minister of Energy's presentation and ensuing Cabinet discussion, two issues that surfaced were concern over the management of TANESCO and a reluctance to raise energy prices further if the increase was possibly a cover-up for inefficient management. The Cabinet recommended to first take a close look at how TANESCO was being managed, and only then, revisit whether to increase tariffs by an additional 20 percent. Kikwete's own view is that, for a start, the GOT might let TANESCO increase the rates by another 10 percent and after the thorough scrutiny of the TANESCO management, consider allowing a further hike up to the 25 percent level the Board had requested.

¶12. (C) The Ambassador stressed the importance of transparency in the power sector, noting that during a recent TANESCO tender, one reputable U.S. energy company that had made a very competitive bid, expressed to him their concern

over the transparency of the TANESCO Board's decision-making process. The U.S. firm, already invested in locomotives and airports in Tanzania, was only asking for the chance to compete fairly in the power sector. Kikwete acknowledged he had received complaints about that particular tender which was issued by TANESCO in an attempt to solve the current ongoing energy crisis. He had heard from many quarters that the TANESCO management often waits for a South African company to bid on a given tender; in several instances, if no SA company stepped up, then TANESCO had called off the tender. Kikwete stated: "We are concerned about these delays and canceled tenders just because no South African Company made a bid; thus I support the Cabinet's decision to first closely examine how TANESCO is being managed."

¶13. (C) When the Ambassador suggested that perhaps TANESCO needs competition, the President said that, personally, he would fully agree. However, Kikwete shared his Minister of Energy's concern whether privately-run utility companies would fulfill their power purchase agreements and meet the required capacity checks. Kikwete's believes that "we should give the private companies the challenge to produce, distribute and sell energy." He expressed his relief that President Mkapa had decided to get the GOT out of the petroleum-pricing business which formerly was regulated through government subsidies, etc. "Now as oil prices continue to go up, the GOT cannot be blamed," he said. "We are fortunate." In the long term, Kikwete would prefer to "take the same road with electricity tariffs and let the market decide."

Recognized Need for Better Anti-TIP Laws

¶14. (SBU) Ambassador Retzer outlined the tier system of State's annual Trafficking in Persons (TIP) Report and explained that to remain a Tier 2 country, Tanzania needs to make steady progress in drafting tighter laws, prosecuting

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offenders and keeping accurate statistics. The Ambassador added that the Embassy had met with the newly-appointed Inspector General of Police (IGP) who asked for technical assistance to draft such laws and set up an anti-trafficking in persons task force or special office. The U.S. Dept of Justice (DOJ) has expertise in anti-TIP laws and is ready to assist. The Ambassador asked President Kikwete if he would agree to announce or sign such a technical assistance agreement while in Washington and Kikwete saw no problem. Kikwete said that putting adequate laws on the books against human trafficking is crucial and his Ministry of Justice would be ready to work with the DOJ.

Zanzibar

¶15. (C) Ambassador Retzer shared the Embassy's proposed Democracy and Human Rights projects and USAID's ongoing health and education projects for Zanzibar. Kikwete expressed his appreciation for these U.S. initiatives and assured the Ambassador that internal discussions about Zanzibar reconciliation are ongoing within the Union government, the Government of Zanzibar and the CCM. "We are slowly gaining an understanding; I am speaking to President Karume and others from our side, carefully looking for the way forward." Kikwete said he hopes for a breakthrough within the next two to three months. "Personally," he added, "I am very concerned about the divide between Pemba and Unguja, although others may not have the same mind or understand my fears. So we will continue to try."

Aware of Used Clothing Tariff Issue

¶16. (SBU) The Ambassador said if President Kikwete does meet with USTR, the current 45 percent East African Customs Union tariff on imported used clothing will certainly be raised. Kikwete said he considered the present tariff on used clothing to be too high, since there is a market among

Tanzania's poorer people to buy used clothes at a reasonable price. The current tariff rate is a compromise among the three EAC Customs Union nations; he claimed that Kenya had insisted on a high used clothing tariff and, at one point, was pushing for a complete ban. While Kikwete thought the current ban on imports of used undergarments should continue, he is open to exploring within the EAC Customs Union whether to further reduce the tariff on outer garments (i.e. T-shirts suits, women's apparel, etc.)

Updates to U.S. Visit Schedule

¶17. (SBU) The Ambassador and the President compared schedules for Kikwete's U.S. trip. The Ambassador suggested that, in addition to the already confirmed meetings with Secretary Rice, Dr. Mark Dybol of the Office of Global Aids Coordination (OGAC), and the MCC, Kikwete should meet with Ambassador Tobias, the AID Director who oversees USG Foreign Assistance, and with Members of Congress from both sides of the aisle. The Ambassador said that Senator Thad Cochran (R) would like to host lunch in the Senate Dining Room and mentioned the possibility of an evening reception in President Kikwete's honor hosted by members of the House of Representatives. The President accepted all these suggestions.

¶18. (SBU) The President said that Good Works International, a consulting group with former Ambassador Andrew Young, is primarily setting up meetings in Boston and New York "but does not have a monopoly on my schedule." Kikwete added his staff has confirmed meetings with the IMF, World Bank Director Paul Wolfowitz, the Corporate Council on Africa, Ted Turner, and possibly with USTR. He noted that he will meet the Deputy UN Secretary General since Kofi Annan will not be in New York. He also wanted to meet Bill Gates to discuss whether the Gates Foundation could provide support for the IT department of a new state university President Kikwete is creating. However, neither Gates nor former President Clinton will be on the East Coast during Kikwete's visit, so

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he plans to meet with them at a later date.

Comment

¶19. (C) While looking somewhat tired from his trip to Zimbabwe, we were struck in our meeting by two things. First, President Kikwete was extremely well briefed on existing areas of cooperation with the U.S. Secondly, he displayed evident intensity and focus on taking the relationship with the U.S. to a new level. He opened his meeting with Ambassador Retzer by twice repeating that he wanted to "proactively" expand the relationship, and concluded with these words: "We have to build up (the relationship) to the highest level; there is so much we can do. I believe friendship with the U.S. can help us." There is little more we can add to what Kikwete himself made (yet again) crystal clear: we have a unique opportunity here to take the relationship to new levels, and advance U.S. interests across the board. We must seize the opportunity.

RETZER